

UNITED STATES INTERNATIONAL TRADE COMMISSION

**APPAREL INPUTS IN “SHORT SUPPLY”: APPAREL MADE WITH
CERTAIN FUSIBLE INTERLININGS**

Investigation No. 332-436-006

January 2003



Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries

U.S. International Trade Commission Investigation No. 332-436-006

Products	Apparel made with certain fusible interlinings
Requesting Party	Levi Strauss and Co., San Francisco, CA
Date of Commission Report: USTR Public	January 23, 2003 January 2003
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NOTICE

THIS REPORT IS A PUBLIC VERSION OF THE REPORT SUBMITTED TO USTR
ON JANUARY 23, 2003. ALL CONFIDENTIAL INFORMATION HAS BEEN
REMOVED AND REPLACED WITH ASTERISKS (***)

Summary of Findings

The Commission’s analysis shows that granting duty-free and quota-free treatment to U.S. imports of apparel made in eligible Caribbean Basin countries with certain interlining fabrics,¹ regardless of the source of the fabrics, would likely have a negligible effect on U.S. producers of such fabrics, U.S. producers of fibers used in these fabrics, apparel firms producing the apparel domestically, and their workers. The proposed preferential treatment would likely benefit U.S. apparel firms producing the apparel in the Caribbean Basin, and their U.S.-based workers. U.S. consumers would likely benefit from some of the duty savings resulting from the proposed preferential treatment.

Background

On January 17, 2002, following receipt of a request from the United States Trade Representative (USTR), the Commission instituted investigation No. 332-436, *Apparel Inputs in “Short Supply” (2002): Effect of Providing Preferential Treatment to Apparel Imported from Sub-Saharan African and Caribbean Basin Countries*, under section 332(g) of the Tariff Act of 1930 (19 U.S.C. 1332(g)) to provide advice during 2002 in connection with petitions filed by interested parties under the “short supply” provisions of the African Growth and Opportunity Act (AGOA) and the United States-Caribbean Basin Trade Partnership Act (CBTPA).²

The Commission’s advice in this report concerns a petition received by the Committee for the Implementation of Textile Agreements (CITA) on December 12, 2002, alleging that certain interlining fabrics cannot be supplied by the domestic industry in commercial quantities in a timely manner and requesting that the President proclaim preferential treatment for apparel made in eligible CBTPA beneficiary countries with such fabrics, regardless of the source of the fabrics. The President is required to submit a report to the House Committee on Ways and Means and the Senate Committee on Finance that sets forth the action proposed to be implemented, the reasons for such action, and the advice

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² For more information on the investigation, see the Commission’s notice of investigation published in the *Federal Register* of January 25, 2002 (67 F.R. 3733) and its website at www.usitc.gov/332s/shortsup/shortsupintro.htm.

obtained from the Commission and the appropriate advisory committee within 60 days after a request is received from an interested party.³

Brief discussion of the product

The two interlining fabrics named in the petition are classified in subheading 5903.90.25 of the Harmonized Tariff Schedule of the United States (HTS), which provides for textile fabrics of manmade fibers, impregnated, coated, covered or laminated with plastics other than with poly(vinyl chloride) or polyurethane, not over 70 percent by weight of rubber or plastics.⁴ The subject fabrics are (1) a certain ultra-fine Lycra crochet outer-fusible material with a fold line that is knitted into the fabric and (2) a fine Lycra crochet inner-fusible material with an adhesive coating that is applied after going through a finishing process to remove all shrinkage from the material.⁵ Both interlining fabrics are used in the waistband construction of apparel articles that have waistbands, such as pants, shorts, and skirts. These garments are classified in HTS chapter 62 (apparel, not knitted or crocheted). The 2003 column 1-general rates of duty on such apparel range from 8.2 percent ad valorem for cotton skirts and divided skirts (skirts) to 16.7 percent ad valorem for men's and women's cotton pants. The fabrics themselves have a 2003 general rate of 7.6 percent ad valorem.

The first of the two subject fabrics is an ultra-fine Lycra crochet outer-fusible material, with a fold line that is knitted into the fabric (a patent is pending for this fold-line fabric). The fabric is a 45 mm wide base substrate, crochet knitted in narrow width, synthetic fiber based (49 percent polyester/43 percent elastane/8 percent nylon with a weight of 4.4 oz., a 110/110 stretch, and a dull yarn), stretch elastomeric material with adhesive coating, and has the following characteristics: (a) the 45 mm is divided as follows: 34 mm solid followed by a 3 mm seam allowing it to fold over followed by 8 mm of solid; (b) in the length it exhibits excellent stretch and recovery properties at low extension levels; (c) it is delivered pre-shrunk with no potential for relaxation shrinkage during high temperature washing or fusing and delivered lap laid, i.e., tension free; (d) it is supplied pre-coated with an adhesive that will adhere to 100- percent cotton and to other composition materials such as polyester/cotton blends, during fusing at a temperature of 180 degrees ***; (e) the adhesive has a melt flow index that will not strike back through the interlining substrate or strike through the fabric to which it is fused and an adhesion level that will be maintained or improved at temperatures of up to 350 degrees *** and dwell times of 20 minutes; and (f) the duration and efficacy of the bond will be such that the adhesive will not, during industrial washing or in later garment wear or after-care of 50 home washes, become detached from the fabric or base substrate.

In summary, the ultra-fine Lycra interlining fabric has been coated with an adhesive after going through a finishing process to remove all shrinkage from, and impart a stretch to, the fabric. This finishing process of imparting stretch to fabrics is covered by U.S. Letters Patent 5,987,721.

The second subject fabric is a fine Lycra crochet inner-fusible fabric with an adhesive coating that is applied after going through a finishing process to remove all shrinkage. Specifically, the fabric is a 40 mm synthetic-fiber based stretch elastomeric fusible (80 percent nylon type 6/20 percent spandex with a

³ In Executive Order No. 13191, the President delegated to CITA the authority to determine whether particular fabrics or yarns cannot be supplied by the domestic industry in commercial quantities in a timely manner. He authorized CITA and USTR to submit the required report to the Congress.

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⁵ Crocheting joins together a series of interlocked yarn loops, with a single needle or hook, into a variety of open and/or closed patterns. The ASTM defines non-woven textile fabrics as textile structures "produced by bonding or interlocking of fiber, or both, accomplished by mechanical, chemical, or solvent means, and combinations thereof." (ASTM 1986). See Phyllis G. Tortora and Billie J. Collier, *Understanding Textiles*, 5th Edition (Upper Saddle River, NJ: Prentice-Hall, Inc., 1997), pp. 325 and 341.

weight of 4.4 oz., a 110/110 stretch and a dull yarn), with the following characteristics: (a) it is supplied pre-coated with an adhesive that will adhere to 100-percent cotton, and to other composition material such as polyester/cotton blends, during fusing at a temperature of 180 degrees ***; (b) the adhesive has a melt flow index that will not strike back through the interlining substrate or strike through the fabric to which it is fused and an adhesion level that will be maintained or improved through garment processing at temperatures of up to 350 degrees *** and dwell times of 20 minutes; (c) the duration and efficacy of the bond will be such that the adhesive will not become detached from the fabric or base substrate during industrial washing or in later garment wear or after-care of 50 home washes; and (d) it is delivered on rolls of more than 350 yards (318.5 meters) or lap laid in boxes.

The adhesive coating adds approximately 25-30 percent by weight to the ultra-fine Lycra interlining and approximately 20-25 percent by weight to the fine Lycra interlining. These fabrics are used in garment waistband construction. The ultra-fine interlining fabric reinforces the pant fabric and also exclusively contributes to the “stretch ability” of the pant fabric in the waistband area. The fine Lycra interlining fabric is used on the underside of the garment waistband lining fabric and reinforces the waistband lining which is made from pocketing-type fabric, and it also exclusively contributes to that fabric’s “stretch ability.” It also serves to “firm up” the seam area of the waistband lining so that the fabric will not rip or otherwise be damaged during the assembly/sewing process.

The petitioner, Levi Strauss and Co., San Francisco, CA (Levi Strauss), a manufacturer of apparel articles in the United States and an assembler of woven garments in ***, states that it has made attempts to purchase the two subject interlining fabrics from U.S. manufacturers of such products, with no success. Levi Strauss states that it requires approximately *** linear yards (***) linear meters) per month of Lycra crochet knitted fusible interlinings, as described above, to be supplied within one to two weeks of fabric request.⁶

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Brief discussion of affected U.S. industries, workers, and consumers

The segments of the U.S. textile and apparel sector affected by the proposed preferential treatment are manmade fiber manufacturers, non-woven fusible interlining fabric manufacturers, and apparel producers.

Manmade fiber manufacturers

***, states that it produces comparable fibers, such as ***, but is unable to determine from the fabric description what denier is required by Levi Strauss. Given that a U.S. patent has been granted on the technology required to meet Levi Strauss specifications, *** questioned whether any U.S. manmade-fiber producer or non-woven fusible interlining manufacturer would be able to produce to the specifications of the petition. The company representative further questioned the availability in the U.S. marketplace of textile equipment able to impart a 110/110 stretch.⁹

⁶ ***, telephone interview by Commission staff, Jan. 14, 2003, and Petition received by CITA from Teresa M. Polino, Sandler, Travis, & Rosenberg, LLC, Washington, DC, counsel for petitioner, Dec. 12, 2002.

⁷ ***, telephone interview by Commission staff, Jan. 15, 2003, and ***, telephone interview by Commission staff, Jan. 16, 2003.

⁸ ***, telephone interview by Commission staff, Jan. 15, 2003.

⁹ ***, telephone interview by Commission staff, Jan. 15, 2003.

***, manufactures manmade fibers around the world and will ship such fibers to any fabric producer. ***.¹⁰

***.¹¹

Non-woven fusible interlining fabric manufacturers

***, does not produce non-woven fusible interlinings. The company expressed concern over the description of the adhesive as thermoplastic given that the fusible substrate is applied at 180 degrees and subsequently holds up at 350 degrees for 20 minutes duration, and states that only a thermoset adhesive would exhibit such properties.¹²

***, states that the subject interlining fabrics are products it does not currently make, but that it would be better able to determine production capability upon sample analysis.¹³

***.¹⁴

The Freudenberg Nonwovens Group, Durham, NC (Freudenberg), a supplier of waistband fusible interlining products, states that it is "currently involved in the development of a domestically produced product which will have the stretch and recovery desired by the market place." Freudenberg "believe(s) therefore that the lack of domestically produced alternatives is a temporary situation, which will be rectified within the next six months." ***.¹⁵

***, states that the two fusible interlinings are not similar to any items in its current product line nor would the firm entertain making such products in the future.¹⁶

***, states that at this time, with its in-house equipment, it does not have a fusible interlining commercially available within two weeks that would meet Levi Strauss specifications. ***.¹⁷

***, states that it does not produce any fabrics similar to either fusible interlining, and to its knowledge, such fabrics are not produced in the United States. As a U.S. patent has been granted for the pre-shrink/stretch finishing technology, and a patent is pending for the knitted-in fold line technology, the firm stated that such facts lead one to believe that the two subject fabric products do not exist in the United States.¹⁸

¹⁰ ***, telephone interview by Commission staff, Jan. 14, 2003.

¹¹ ***, telephone interviews by Commission staff, Jan. 16 and 20, 2003.

¹² ***, telephone interview by Commission staff, Jan. 8, 2003.

¹³ ***, telephone interview by Commission staff, Jan. 14, 2003.

¹⁴ ***, telephone interview by Commission staff, Jan. 8, 2003.

¹⁵ Stephanie Seale, Director of Sales & Marketing, Interlinings Division, The Freudenberg Nonwovens Group, written submission to the Commission, Jan. 10, 2003.

¹⁶ ***, telephone interviews by Commission staff, Jan. 14 and 15, 2003.

¹⁷ ***, telephone interviews by Commission staff, Jan. 10 and 13, 2003.

¹⁸ ***, telephone interview by Commission staff, Jan. 14, 2003.

Apparel manufacturers

***, states that granting the waiver would have no effect on its apparel business. The company believes that the interlinings as specified in the petition are proprietary Levi Strauss products that are not available in the United States. ***.¹⁹

Kellwood Co., St. Louis, MO (Kellwood), states that granting the waiver would have no effect on its apparel business.²⁰

***, states that there are some stretch fusibles which may not be available domestically from companies such as ***, or if available, are offered at high prices. *** opined that such interlinings could be developed domestically. With respect to duty-free treatment for apparel made with the subject fabrics, *** states that to grant such a waiver would allow Levi Strauss to bring a superior product to market with a price advantage.²¹

Associations

According to a submission to CITA by the National Textile Association (NTA), Boston, MA, "NTA member companies produce elastomeric fabrics in the U.S. of yarns produced in the U.S. Our members companies produce, in the U.S., elastomeric waistband fabrics of the type, or substitutable for the type, described in the request."²²

The Clothing Manufacturers Association of the U.S. expressed concern over the possible use of the subject non-woven fusible interlinings in suits or wool dress pants.²³

Retailers

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Views of interested parties

Three written submissions were received by the Commission, two from Freudenberg and one from Kellwood. Freudenberg cites the lack of a domestically produced alternative as a temporary situation, rectifiable within the next six months, and requests that any duty exemption that may be granted be temporary to enable completion of its own product development and market introduction. Freudenberg also provided a copy of its press release concerning its definitive agreement to transfer certain interlinings business from Duro to Freudenberg.²⁴ Kellwood states that it does not expect that granting this short supply petition would negatively affect its competitiveness in the market.²⁵

¹⁹ ***, telephone interview by Commission staff, Jan. 13, 2003.

²⁰ Wendy Wieland Martin, Director, Trade Services, Kellwood Co., telephone interview by Commission staff, Jan. 15, 2003, and written submission to the Commission, Jan. 21, 2003.

²¹ ***, telephone interview by Commission staff, Jan. 16, 2003.

²² Karl Spilhaus, President, National Textile Association, written submission to CITA, Jan. 2, 2003.

²³ Robert Kaplan, Executive Director, Clothing Manufacturers Association of the U.S., telephone interview by Commission staff, Jan. 7, 2003.

²⁴ Stephanie Seale, Director of Sales & Marketing, Interlinings Division, The Freudenberg Nonwovens Group, written submissions to the Commission, Jan. 10 and 21, 2003.

²⁵ Wendy Wieland Martin, Director, Trade Services, Kellwood Co., written submission to the Commission, Jan. 21, 2003.

Probable economic effect advice²⁶

The Commission's analysis shows that granting duty-free and quota-free treatment to U.S. imports of the subject apparel made in eligible Caribbean Basin beneficiary countries from the subject interlining fabrics, regardless of the source of the interlining fabrics, would likely have a negligible effect on U.S. producers of such interlining fabrics and their workers. Similar products that may come on the market in the near future may offer substitutability, but at yet-to-be-determined quality and price points; therefore, the potential duty-free goods seem to pose a negligible effect on those competing producers. Any effect on U.S. manmade-fiber producers would be negligible as the fiber ***. The expected increase in U.S. apparel imports made with the subject interlining fabrics could likely displace some domestic production of competitive apparel. However, the extent to which this displacement would occur depends on the reliability of sources of supply and any perceived quality differences relative to price differences for U.S. firms using the imported interlining fabrics. Although information on the quality, price, and delivery time of the imported subject interlining fabrics was not readily available, it is believed that differences between domestic and imported interlining fabrics are likely to be moderate. The proposed preferential treatment also would likely have a negligible effect on U.S. firms making competitive garments domestically, and on their workers.

The proposed preferential treatment would likely benefit U.S. and other apparel firms making garments in CBTPA eligible countries with the subject interlining fabrics by increasing the supply of "eligible" fabrics and of lower priced fabrics. U.S. consumers of apparel made with the subject interlining fabrics would benefit from the proposed preferential treatment to the extent that importers pass on some of the duty savings to retail consumers in today's highly competitive market for casual pants, shorts, and skirts.

²⁶ The Commission's advice is based on information currently available to the Commission.